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South Carolina House of Representatives

# Legislative Update & Research Reports

Ramon Schwartz, Jr., Speaker of the House

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# Legislative Update

## Introduced Bills

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### Government Operations

Amending the Constitution by Initiative (H.3435). This measure would add popular initiative as a method to have constitutional amendments considered. Citizens would circulate petitions with the proposed amendment; to be placed on the ballot, the petitions would have to be signed by at least 8 percent of the state's registered voters, or 15 percent of those who voted in the last election, whichever was the smaller number. The petitions would have to be submitted to the state Election Commission by June 1 of the year in which a general election was to be held, and the proposed amendment would be considered by voters at that election.

This measure is itself a proposed amendment to the state constitution, and would have to be approved by voters at the next general election.

South Carolina Coordinating Council for Economic Development (H.3473). Promoting economic growth is a key issue today, and states all across the nation are vitally interested in the topic. (See page 6) This bill would create a permanent Coordinating Council for Economic Development in South Carolina—one now exists, but only on a provisional basis.

The Council would foster economic growth through a diversified approach, combining public and private efforts across a broad variety of fronts. Members of the Council would be: the Commissioner of Agriculture, the Chairman of the State Development Board, the Chairman of the Parks, Recreation and Tourism Commission, the Chairman of the State Board for Technical and Comprehensive Education, the Chairman of the Public Service Authority, the Chairman of the South Carolina Research Authority, and the Chairman of the Jobs and Economic Development Authority. There would also be a Council staff.

The Council would meet at least quarterly to prepare a state plan for development and review past efforts. Reports would be made on an annual basis to the Governor and the General Assembly.

Increase Prostitution Penalties (H.3480). This bill would stiffen the penalties for prostitution in the following fashion.

<u>Offense</u>	<u>Present Penalty</u>	<u>Proposed Penalty</u>
First	\$100 / 30 days	\$ 200 / 30 days
Second	240 / 90 days	1,000 / 6 months
Third and after	1,000/6 mos.-3 years	3,000 / 1 year
Fourth	none	10,000 / not less than 5 years

No part of these penalties could be suspended, nor could probation be provided.

Clemson Board Elections (H.3474). Six members of the Clemson Board are elected by the General Assembly. This bill proposes that one member would have to be elected from each Congressional District. A gradual phase-in of this provision is included in the bill.

Candidates in Public Schools (H.3484). During election years, candidates for public office have a tendency to show up everywhere: in shopping centers, on television, and even in the public schools. "Concern for education," say supporters; "Cheap theatrics," snort opponents.

This bill would provide that candidates for public office may not "address, instruct or interrupt" classes for 120 days before an election, unless the class is a social studies class and the candidate has been invited by the governing school board.

#### Children and Youth

Closed-Circuit Testimony (H.3429). This bill would allow a child under sixteen to testify via closed circuit instead of in person. Such testimony could be allowed only under certain circumstances; basically, those circumstances are the same as the ones allowed videotaped testimony in sexual abuse/sexual conduct trials. See *Update* issue number 5, February 11.

Pictures of Juveniles (H.3430). This legislation would waive certain confidentiality provisions now imposed on the Department of Youth Services. In essence, the Department would be permitted to provide photographs of missing juveniles to the Missing Persons Center and to other appropriate authorities.

Film Processors To Report Crimes (H.3431). Should a film processor be asked to develop film of a child under eighteen (or "appearing to be under eighteen") engaged in sexual conduct or posture, the processor must report the name and address of the person who left the film to the appropriate law enforcement office.

Undercover Kids (H.3440). The Children's Code has two sections which forbid minors to purchase beer or wine (20-7-370) or liquor (20-7-380). Penalties are provided: a fine of between \$25 to \$100 for possession or purchase of beer or wine; a fine of between \$25 to \$100 or up to 30 days for possession or purchase of liquor.

This measure would specifically exempt any "minor acting as an agent of a law enforcement agency."

#### Health and Environment

Dietitians and Nutritionists (H.3434). This bill, the proposed "Dietetic Practice Act," would regulate the activities of dietitians and nutritionists in the state by setting up the S.C. Advisory Board of Dietetics and Nutrition and granting that Board the power to license dietetic practitioners. The Board would consist of five members appointed by the Governor; at least three names would be submitted by the S.C. Dietetic Association.

The bill defines dietetic/nutritional practices as assessing nutritional needs, establishing objectives, providing counseling, developing nutritional systems and evaluating them. Apart from a few exceptions—such as medical doctors—persons engaged in these activities would have to be licensed. To receive a license a person would have to meet academic requirements, have a set amount of experience in the field, and pass an examination.

Licenses would be issued annually, and could be revoked for unprofessional conduct. Persons practicing without a license could be fined from \$100 to \$500 dollars and/or imprisoned for up to 90 days for each offense.

Ferrets as Pets (H.3472). The present law lists a number of carnivores which are not to be sold as pets in South Carolina. These are "animals known to be reservoirs of rabies," and include raccoons, foxes, skunks, bobcats, coyotes, wolves, weasels, civit cats, spotted skunks and the lynx. The ferret is currently on that list; this bill would remove it.

Ferrets are mammals belonging to the weasel family (*Mustelidae*, order *Carnivora*.) The black-footed ferret of the western United States is our friend *Mustelidae nigripes*. Its major diet consists of prairie dogs. The black-footed ferret is on the verge of extinction (perhaps due to a shortage of prairie dogs).

Other members of this family include the badger, weasel, otter and polecat. As a matter of fact, the ferret itself is the domesticated albino variety of the polecat.

Ferrets grow to be around 35 centimeters long, with yellowish-white fur and pink eyes. They have been known to crossbreed with polecats, producing an animal with brown-tinged hair and few friends. Female ferrets breed twice a year, giving birth to 6 to 9 young ones each time.

The ferret has a long history. It is believed to have been brought by the Romans from Africa to Europe, where it was used in hunting—as it still is today. The ferret—small but ferocious—is used to kill rats and drive rabbits from their burrows.

### Tort Claims in the Senate

The House-passed Tort Claims legislation (H.2266) is now in the Senate, with debate interrupted until February 18. The bill has been changed in some parts—the opening section has been completely rewritten, for example—but has much has it been changed?

According to Senate staff contacted by *Legislative Update*, the bill has not been changed very severely. The opening was revised to make the logic of the legislation clearer and to emphasize the qualified immunity aspect. The bill now grants the state and its subdivisions "immunity from liability except as waived." The underlying purpose remains the same as the House bill.

While there are a number of changes within the body of the bill, most of them are said to be technical in nature. Those which are substantial cut down the scope of the state's liability; for example, all licensing functions are now included, whereas the House version had language that limited the immunity. County- and state-supported hospitals have been added also. The length of the statute of limitations, on the other hands, has been changed from two years to three.

Finally, the Senate bill has a "may claim" approach, rather than a "must claim." Under the second approach, a person "must claim" damages from the agency supposedly responsible for injury or damages. Under a "may claim" attitude, the person may go either through the agency or directly to court.

South Carolina and Small Business:  
State's Efforts Noted

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With Mack Trucks' move to South Carolina in the news there is more attention than ever on economic development in the state. Members of the House who have been active in this area will be pleased to note that the state's efforts are being recognized nationally.

The latest issue of *State Government News* has an article by Keon S. Chi about the spread of private-public alliances to encourage business developments in the states. The article makes special mention of the efforts in South Carolina to foster small business growth through technology centers.

The article surveys efforts in a number of states, including Wisconsin, New York and Minnesota, as well as South Carolina. Lt. Governor Daniel is quoted as saying that the public and private sector must work together to "provide the jobs our country needs."

*State Government News* is published by the Council of State Governments, which is considered a prime source of information on current activities by all branches of state government.

Condemnation of Public Property—Georgia Style

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In the last issue of the *Update* there was a discussion of the proposed Eminent Domain Procedure Code, dealing with condemnation proceedings to acquire property. The Georgia legislature might consider a bill to allow state agencies to condemn public property.

The bill would create a six-person commission to review requests by state agencies to condemn land owned by local governments. The commission would consist of five constitutional officers: the governor, lieutenant governor, secretary of state, commissioner of agriculture and insurance commissioner; and the state auditor. If the commission approved the request, the local government would still have to take the matter through the court process.

Georgia state agencies have traditionally held condemnatory powers, but a recent ruling of the Georgia Supreme Court held that the agencies could not exercise the power over public lands. As a result, the issue has become a "top agenda item" for the 1986 session of the General Assembly.

## Mack Trucks: What S.C. Gives, What S.C. Gets

### Background

Early in 1986 the announcement was made that Mack Trucks would relocate its Allentown, Pennsylvania plant to a site near Winnsboro, in Fairfield County. The state had secured the Mack Trucks deal with a number of incentives, mainly providing tax breaks, and promising educational and training programs for Mack workers. While it seems clear that South Carolina will benefit from the new plant, there is the question: what is the state giving to Mack Trucks, and what can it expect to receive in return?

This research report will examine that question, looking for the costs of the incentives South Carolina extended to Mack Trucks, and calculating the potential positive impact the new plant will have on our state.

### Incentives to Business and Industry

Providing tax breaks and other incentives to help business and industry is nothing new to South Carolina. In 1984, for example, the legislature passed a phase-out of the business inventory tax over a three-year period.

Another measure (S.716) was passed, calling for a constitutional amendment to Section 3 of Article X. This would allow municipal governments to exempt new or expanded manufacturing establishments from municipal ad valorem taxes for up to five years.

Of course, even before these measures South Carolina has attempted to provide a "favorable climate" for business and industry. The state receives less than 10% of its revenue from the corporate income tax. Exemption from property taxes for new or expanded facilities, the availability of specially-tailored vocational and technical training, and a job tax credit for many businesses have been stressed in South Carolina.

What the State Gives...

Under the new agreement with Mack Trucks, just what can we expect the state to do for the company?

First, the state's package offers Mack Trucks substantial tax benefits. A five-year abatement of county property taxes—except for school taxes—is included; over five years this will run to around \$2.5 million dollars. Also exempt from property taxes: all pollution control devices. In addition, the company will be allowed to claim a depreciation rate of 11 percent per year on its equipment. Total cost of property tax benefits: \$2.5 million.

Inventory taxes will be struck off the books for the company, which should save Mack some \$220,000. The following items will be exempt from sales taxes: all manufacturing equipment, machinery and replacement parts; electricity, gas and other energy costs; water and sewer bills associated with the manufacturing process; raw material for manufacturing process and wholesale sales and purchases.

Fairfield County is in the special category of "less-developed county." This means that a company such as Mack which creates new jobs receives a \$500 tax credit for each one. The State Development Board estimates that 1,267 new jobs will be created by Mack Trucks in Fairfield; this would be a tax credit of some \$3 million.

Training is an integral part of the state's incentive package. Vocational training will be given for potential workers, with the program covering everything from pre-employment recruitment through actual training with state-provided materials. The program will be specifically designed to suit the needs and requirements of Mack Trucks; the state will pick up the entire tab. Cost: At this point, no one can say, since the specific needs have not been outlined, and the required facilities, equipment and staff are not known. However, a roughly comparable TEC facility in Williamsburg, operating with an enrollment of over 200, has an annual budget of some \$1.4 million. The Fairfield facility would probably cost at least this much.

The Displaced Worker program operates out of the Division of Employment and Training in the Governor's Office. It attempts to find jobs for displaced workers by providing employers with an incentive to hire and retrain them. The incentive: reimbursement of half of the worker's pay, and coverage of the cost of relocating a worker. If 400 displaced workers signed on at Mack, the cost to the state would be \$500,000, but much of that would be federal funds.



The highways around Winnsboro would need substantial improvement, especially Highway 34 from the plant site to Interstate 77. The estimated cost is \$2.75 million; the work would need to be done before the plant is in operation.

Estimated total cost to the state of known and estimated expenses: \$13,452,000. See the chart on page 11 for a breakdown of these figures, and for an estimate of the state's benefits.

#### ...And What the State Gets: Jobs

According to information supplied by the State Development Board, South Carolina could expect to reap the following rewards from having Mack locate in Winnsboro:

The Board estimates that there will be 2,067 manufacturing jobs and 1,323 non-manufacturing jobs created by the plant, or a total of 3,390 net new jobs.

The manufacturing jobs would consist of those employed directly by Mack Trucks (1,267); and those in support industries which relocate in South Carolina (800). The total new payroll for these jobs would be around \$40 million per year.

Non-manufacturing jobs would consist of such categories as wholesale and retail trade, entertainment and recreation (930 jobs); transportation (145); finance, insurance, business repair, construction, public administration (248 jobs all total). The estimated annual payroll for these 1,323 jobs is \$19 million.

Altogether, a total annual payroll of \$59 million is expected. Based on state averages, each worker supports about 1.35 nonworkers. By this account, roughly 7,950 persons will directly benefit from the Mack Trucks plant and spin-off developments.

#### ...What the State Gets: Taxes

Profits, payrolls and trade mean taxes for the county and the state.

Mack Trucks, as the manufacturer, will pay a total tax amount somewhere between 0.7 and 0.8 percent of the value of shipments of their product. Since the company is estimated to ship some 12,000 vehicles a year at \$50,000 per vehicle, we're talking a value of \$600 million. At 0.75% that amounts to \$4.5 million in new taxes.

Usually, two-thirds of these taxes are local property taxes, and one-third state revenues. The Development Board cautions that this ratio may not be completely accurate in the Mack Trucks' case, because the allocation of an individual firm's taxes varies from company to company. Still, Fairfield County could expect additional revenues in the neighborhood of about \$3 million, while state coffers would take in \$1.5 million annually.

Associated businesses which supply Mack or work with it are expected to generate another \$750,000 in taxes. This would bring the total manufacturer tax revenue to \$5.25 million each year.

Individual tax contributions can be estimated by either of two approaches: the income approach, or the per capita approach.

The income approach takes the latest figures for state and local taxes as compared to personal income. These figures show that the combined taxes were about \$105 for every \$1,000 of personal income. Therefore, taking \$59 million (payroll) times \$105 (taxes) times \$1,000 (income) we have a figure of \$6,195,000 in net taxes.

The per capita approach estimates the direct and indirect taxes on each person. Using 1984-85 figures the estimated per capita tax is \$654 in state and \$138 in local taxes each year. Assume that around 7,950 persons will have jobs related to Mack Trucks; multiply this by tax burden and you have an estimated tax revenue of \$6,312,300.

The State Development Board estimates that total tax revenues generated yearly by Mack Trucks and associated operations "will be on the order of \$11 to 12 million each year, once Mack Trucks, Inc. is in full operation. There would also likely be some level of taxation generated by commercial activity."

The chart on the next page gives a breakdown, by category, of the costs to the state (tax breaks, services provided); and the benefits to the state (payroll, tax revenues) which will result from the relocation of Mack Trucks in Fairfield.

Many of the figures for this chart were provided by the staff of the State Development Board. *Legislative Update* would like to take this opportunity to thank them for their cooperation in preparing this report.

COSTS—MACK TRUCKS PLANT

1. Tax breaks

5 year property tax abatement	\$2,500,000
Tax Credit for less-developed county (\$500/worker x 1,200 workers)	3,000,000
Inventory tax abatement	220,000
Pollution control device property tax abatement	?
Sales Tax exemptions on:	
Energy (estimated)	9,000
Water/Sewer (estimated)	3,500
Raw Materials	?

TOTAL ESTIMATED TAX BREAKS 5,732,000

2. Training and Services

Displaced worker program (400 workers)	3,000,000
Training for Mack Trucks workers	1,470,000*
Highway improvements	2,750,000
Site improvement grants	500,000

TOTAL ESTIMATED TRAINING AND SERVICE COSTS 7,720,000

\* Based on annual budget of existing comparable TEC facility. Estimate does not include construction or renovation of facilities.

BENEFITS—MACK TRUCKS PLANT

1. Payroll

Annual Mack Truck estimated payroll	25,000,000
Annual support industry estimated payroll	15,000,000
Annual non-manufacturing estimated payroll	19,000,000

TOTAL ESTIMATED PAYROLL FOR STATE 59,000,000

2. Taxes

Mack Trucks estimated annual taxes	4,500,000
Allied industries estimated annual taxes	750,000
Individual income taxes	6,250,000

TOTAL ESTIMATED ANNUAL TAXES (STATE AND LOCAL) 11,500,000

...WHERE the State Benefits

According to information from the State Development Board, the strongest impact will be felt near the plant site. There will be "ripple" effects throughout the state, however.

The strongest impact will be within thirty miles of the plant. Most of the plant labor and contract services will be located in this area. Beyond this will be a fifty-mile radius of "secondary impact." Some plant labor and services will come from this area, but generally this area will be prime location for those companies which follow Mack Trucks to South Carolina.

Indirect benefits that will come over a longer period of time will spread throughout the state along the transportation system. The port of Charleston, for example, can expect to benefit with import/export operations because of the plant, while suppliers and merchants in Greenville and Spartanburg will also be helped by the company. It is even likely that Charlotte, North Carolina will benefit (an unfortunate but unavoidable occurrence).

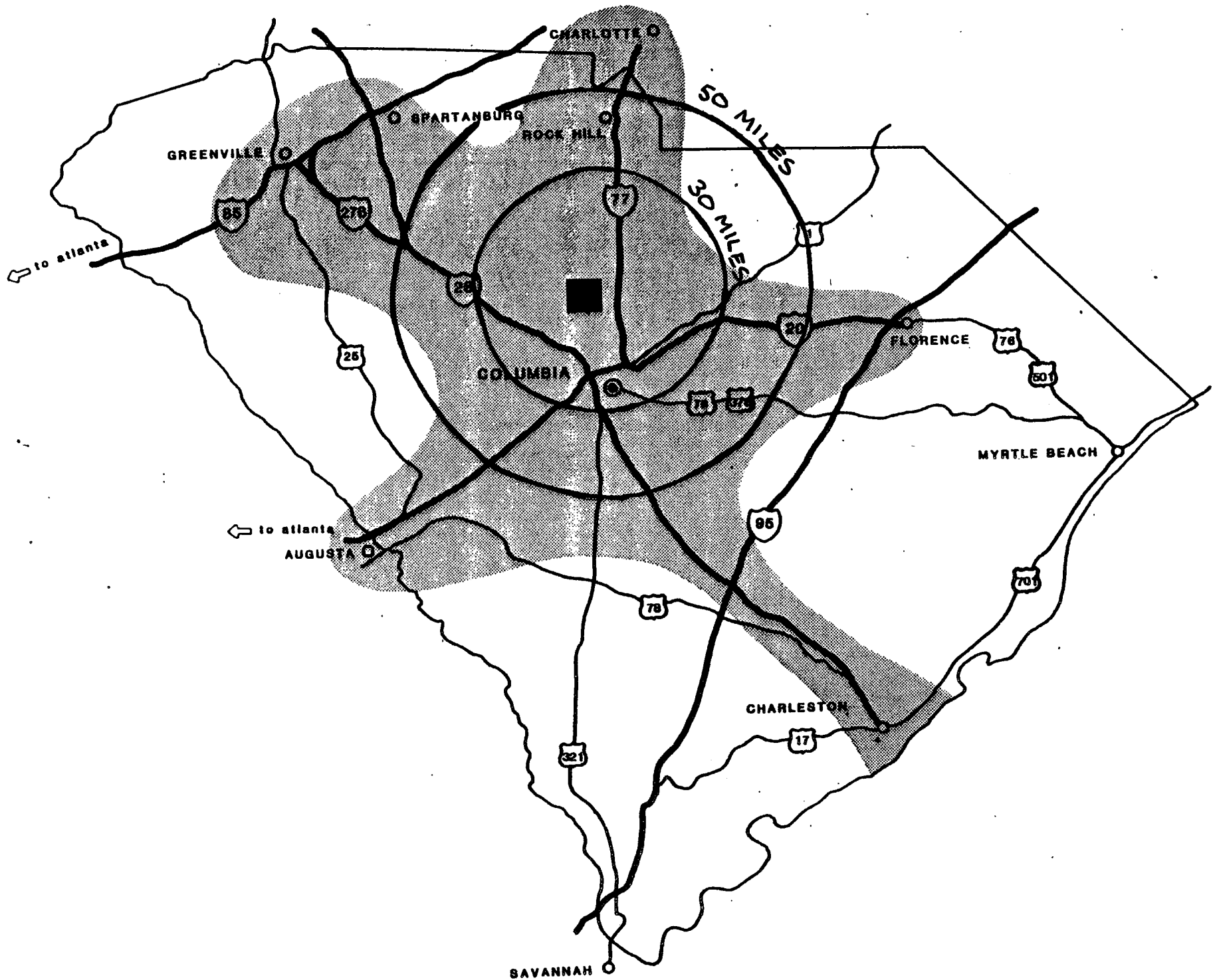
The map on the next page shows where the impact of the plant will be felt. Two circles around the plant site show the thirty and fifty mile areas of impact. The gray, amoeba-like shape follows the indirect impact of the plant as it spreads along the major transportation routes of the state. This map was provided by the State Development Board.

Putting It In Perspective: The Kentucky Connection

To get some perspective on the costs and benefits, compare the case of South Carolina and Kentucky. Kentucky has recently concluded a deal with Toyota Motor Company to locate a plant in Scott County. The state will put up a \$125 million package, the cost to be spread over twenty years. In return, Kentucky should take in almost \$489 million in taxes during those twenty years.

The state would use a financing option using a state bond issue that would permit the Toyota Company to purchase land, and prepare the site with state assistance. The company would not pay taxes during the life of these bonds, but would pay some \$395,000 annually in lieu of school taxes to the Scott County School District.

The chart below compares Kentucky's costs and benefits with the Toyota deal. The costs are given in full, with their total amount adjusted for twenty years. The tax benefits are given in their annual figure for twenty years, since that is how they would be collected.



COSTS—TOYOTA PLANT

Land purchase	\$ 10,000,000
Site preparation	25,000,000
Training center	10,000,000
Employee training	33,000,000
Highway improvements	47,000,000*
Saturday school for Japanese children	?
English classes for parents and children	?
 TOTAL COSTS TO KENTUCKY	 125,000,000
ESTIMATE AVERAGE COST PER YEAR	6,250,000

\* Could be reduced by federal contributions.

TAX BENEFITS—TOYOTA PLAN

Construction firms estimated annual tax	\$ 724,766
Construction workers annual tax	1,094,533
Toyota plant payments/taxes	15,816,240
Toyota plant employees annual taxes	6,227,700
Weight-distance (delivery) annual taxes	46,020
Non-manufacturing employment annual taxes	2,081,700
 TOTAL ANNUAL TAX BENEFITS TO KENTUCKY	 24,444,555

Source: The Louisville Courier-Journal cited in *From the State Capitals*, January 6, 1986

Conclusion

There can be philosophical differences as to how much government and the state should assist private business and industry. There can also be legitimate disagreement between those who feel that the state is giving away much more than it receives when it allows tax breaks, provides training, and offers other incentives for companies to locate in South Carolina. This research report does not address those questions.

It is clear that the state offered substantial benefits to Mack Trucks, Inc., to locate in South Carolina. It is equally clear that, based on the best available projections, Mack Trucks will have a profound impact on the central South Carolina area, and, perhaps, on the entire state.

The full measure of this impact will be closely observed by many in South Carolina, especially those in the General Assembly, who ultimately must decide such questions.